

**REPORT OF THE AUDIT OF THE  
FLOYD COUNTY  
SHERIFF'S SETTLEMENT - 2004 TAXES**

**September 21, 2005**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**FLOYD COUNTY**  
**SHERIFF'S SETTLEMENT - 2004 TAXES**

**September 21, 2005**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2004 Taxes for Floyd County Sheriff as of September 21, 2005. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$12,127,315 for the districts for 2004 taxes, retaining commissions of \$336,988 to operate the Sheriff's office. The Sheriff distributed taxes of \$11,771,410 to the districts for 2004 Taxes. Taxes of \$1,462 are due to the districts from the Sheriff and refunds of \$106 are due to the Sheriff from the taxing districts.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Paul H. Thompson, Floyd County Judge/Executive

Honorable John K. Blackburn, Floyd County Sheriff

Members of the Floyd County Fiscal Court

Independent Auditor's Report

We have audited the Floyd County Sheriff's Settlement - 2004 Taxes as of September 21, 2005. This tax settlement is the responsibility of the Floyd County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Floyd County Sheriff's taxes charged, credited, and paid as of September 21, 2005, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Paul H. Thompson, Floyd County Judge/Executive  
Honorable John K. Blackburn, Floyd County Sheriff  
Members of the Floyd County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2006 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

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Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
January 19, 2006



FLOYD COUNTY  
JOHN K. BLACKBURN, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2004 TAXES

September 21, 2005

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 996,179	\$ 1,331,742	\$ 4,198,182	\$ 932,139
Tangible Personal Property	174,104	128,728	684,807	331,818
Intangible Personal Property				143,035
Fire Protection	3,714			
Increases Through Exonerations	174	247	732	162
Franchise Corporation	242,879	276,801	977,346	
Additional Billings	6,987	8,378		
Unmined Coal - 2004 Taxes	95,246	132,593	401,394	89,123
Oil and Gas Property Taxes	265,870	188,958	1,120,452	248,778
Limestone, Sand, and Mineral Reserves	4	5	16	4
Penalties	14,630	18,867	61,370	14,584
Adjusted to Sheriff's Receipt	(91)	(20)	(328)	(126)
Gross Chargeable to Sheriff	<u>\$ 1,799,696</u>	<u>\$ 2,086,299</u>	<u>\$ 7,443,971</u>	<u>\$ 1,759,517</u>
<u>Credits</u>				
Exonerations	\$ 14,724	\$ 19,085	\$ 62,000	\$ 13,766
Discounts	22,480	25,188	93,056	26,203
Delinquents:				
Real Estate	85,988	110,856	361,372	80,237
Tangible Personal Property	585	429	2,302	1,650
Intangible Personal Property				149
Unmined Coal - 2004 Taxes	4,886	7,121	20,591	4,572
Uncollected Franchise	792	850	3,286	
Total Credits	<u>\$ 129,455</u>	<u>\$ 163,529</u>	<u>\$ 542,607</u>	<u>\$ 126,577</u>
Taxes Collected	\$ 1,670,241	\$ 1,922,770	\$ 6,901,364	\$ 1,632,940
Less: Commissions *	<u>71,273</u>	<u>58,001</u>	<u>138,027</u>	<u>69,687</u>
Taxes Due	\$ 1,598,968	\$ 1,864,769	\$ 6,763,337	\$ 1,563,253
Taxes Paid	1,597,543	1,862,895	6,750,290	1,560,682
Refunds (Current and Prior Year)	<u>1,425</u>	<u>1,912</u>	<u>13,047</u>	<u>1,177</u>
Due Districts or (Refund Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ (38)</u>	<u>\$ 0</u>	<u>\$ 1,394</u>

\* and \*\* See Page 4

The accompanying notes are an integral part of this financial statement.

FLOYD COUNTY  
 JOHN K. BLACKBURN, SHERIFF  
 SHERIFF'S SETTLEMENT – 2004 TAXES  
 September 21, 2005  
 (Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	4,486,215
2% on	\$	6,901,364
1% on	\$	729,736

\*\* Special Taxing Districts:

Library District	\$	(17)
Health District		14
Allen Fire District		(14)
Besty Layne Fire District		19
Cow Creek Fire District		35
Left Beaver Fire District		(40)
North Floyd Fire District		<u>(35)</u>
Due Districts or (Refund Due Sheriff)	\$	<u><u>(38)</u></u>

FLOYD COUNTY  
NOTES TO FINANCIAL STATEMENT

September 21, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits:

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2005, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

FLOYD COUNTY  
NOTES TO FINANCIAL STATEMENT  
September 21, 2005  
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2004. Property taxes were billed to finance governmental services for the year ended June 30, 2005. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 26, 2004 through July 20, 2005.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2004. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was March 24, 2005 through September 21, 2005.

Note 4. Interest Income

The Floyd County Sheriff earned \$2,165 as interest income on 2004 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Floyd County Sheriff collected \$89,956 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Floyd County Sheriff collected \$2,288 of advertising costs and \$5,980 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Paul H. Thompson, Floyd County Judge/Executive  
Honorable John K. Blackburn, Floyd County Sheriff  
Members of the Floyd County Fiscal Court

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Floyd County Sheriff's Settlement - 2004 Taxes as of September 21, 2005, and have issued our report thereon dated January 19, 2006. The Sheriff's settlement is prepared in accordance with a basis of accounting other than generally accepted accounting principals. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Floyd County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Floyd County Sheriff's Settlement - 2004 Taxes as of September 21, 2005 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

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Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
January 19, 2006



